

Working Notes Issue 41: For Richer for Poorer: Three Issues of Fairness?

The 'Good News' - A More Just Health System

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Seamus O'Gorman SJ, researcher at the CFJ and part-time theology lecturer at Milltown Institute asks some searching questions about our commitment to a fair health system.



1. Introduction: the promise of good news for the sick

'Go and tell John what you hear and see: the blind receive their sight, the lame walk, the lepers are cleansed, the deaf hear, the dead are raised, and the poor have the good news brought to them'. Mt 11:5

It is unacceptable that people's access to basic health care should be determined by their income

For Christians one problem we have when we try to look at issues in the light of the gospel, is that the world of the gospel is in very many ways a different world to ours. So much has changed. Yet for thousands of people around Ireland today the good news they most desperately long for is strikingly similar to what people were looking for then. People suffering from illness, or those who care for them want good news: that their turn has come, that the wait is over, that there is a bed for them, that they finally have an appointment with a consultant. This means that there is an end to fear and anxiety, that there is a space where their precious and vital needs may be responded to. They want to hear that the joy of health will not be kept from them forever.

Being sick is often a great isolator. It cuts people off. It can sow real doubt about the meaning of our lives, the value of our relationships and the possibility of recovery, of getting back to normal. In Jesus' time sickness often had associations with sin. In our time for many people it more often has another stigma attached to it. Those who fall ill, and cannot access the healing care which does exist, when the neighbour across the road can, are doubly ill. The mystery of sickness already raises piercing questions, but the society and nation they have been told they belong to leaves them with another question: is your life worth the same as others?

In one way, one of the most striking dimensions of the ongoing debate about the Irish health system is the widespread verbal consensus on the desirability of a more equitable system. In the recently published strategy document, *Quality and Fairness: A Health System for You* The Department of Health cites equity, along with quality, accountability and people centeredness as core principles underlying its current health strategy. It is encouraging that so many people seem to agree that it is unacceptable that people's access to and receiving of basic health care should be determined by their income. There are few people arguing publicly that it is fair that money should enable you to jump the queue or that a certain level of income should buy you an acceptable standard of health care as against an unacceptable standard. At some basic level there does seem to be a consensus that access to health care is a human right, and as such should be available to all.

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This is encouraging, but it does raise two fundamental questions for Irish society in relation to health services, which we wish to consider in this article. If it is true, why have we had a system of health care that in fact treats people so inequitably? Sample cases raise questions about what kind of a society we are creating, where: a diabetic man must wait for six months for an eye operation during which time his doctor tells him he may lose his eyesight, while if he were a private patient there would be no wait; where a child with severe breathing difficulties has to wait five years for an appointment with a specialist; where an elderly lady with gangrene in both feet, who is no longer capable of minding herself, has to wait six weeks for a bed. The fact that we have an inequitable system is admitted in the Department's document that clearly states "The Strategy must address the 'two tier' element of hospital treatment where public patients frequently do not have fair access to elective treatment." The inequity was also recognised in the statements of political leaders at its launch, with the Taoiseach stating 'There are too many people who have to wait too long for vital treatment'

The second and more important question is what kind of things need to happen so that the commitment to reforming the health system will lead to the actual delivery of a more just system?

2. The causes of injustice in the Irish health system

- i) An intention failure
- ii) A systemic failure
- iii) Distorting incentives

i) An intention failure?



out patience

When you try to answer why we have such an unjust system, at first it is hard not to think that it is something of a mystery. Otherwise it is difficult to understand why so many good intentions - recorded in so many reports - can produce such negative outcomes.

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After all the health care system is constituted by a number of key actors all of whom have the good of the patients as a primary concern. No one takes any joy in the failure of the system. The greatest heat that is generated in the debate about health care reform seems to arise when different groups feel themselves targeted as the main culprit in explaining the injustice of the system. Having your basic good faith questioned when you are doing your best to survive in a chaotic and poorly performing system is difficult to accept. For example hospital consultants clearly resent being identified as the major obstacle to the development of a more just system. Other possible scapegoats are the increasing numbers of people who take out private insurance and in effect pay to be treated before people who cannot afford to pay. The hospitals themselves seem to support injustice by permitting disproportionate access to beds by private patients. In the same way we can sense the politicians of the day becoming increasingly defensive when the fingers are pointed at them.

To get at why, as a nation we have produced such an unjust health system and why we seem to tolerate it, we can of course spend long hours speculating about the level of commitment or real intentions of the key actors to adequate care for all. The present outcome does raise the question how high a priority it has been for any group. There is a danger however, that limiting the analysis of our health system to this kind of approach will leave us trapped in the present rather than allowing us to make the situation better. By analysing society in a way which only identifies the real conflicts between people, and which hones in on how people pursue their own interests we may fail to discover better possibilities. The more important challenge is to find a way of understanding the failure of the Irish health system that opens real and identifiable possibilities where people can cooperate for a better future. Rather than foster the paralysis of mutual suspicion and antagonism which bad faith presumptions so easily nourish do we need to encourage the creativity which trust can bring.

ii) A Systemic Failure?

One step in doing this might be to begin to think of the problem of the Irish health system as a more systemic or structural one. At present the Irish health system is systemically unjust. By that we mean that what the system of health care produces is more unjust than what any of the key actors intend it to produce. The administrators, doctors, nurses, insurers, privately insured, and politicians do not aim to produce such an unfair system. The injustice committed against those who cannot afford to buy health care is greater than the injustice intended by any group or individual.

For some, renaming - or re-imaging - the problem in this way will be of no value. From our point of view one of the advantages we see is that it could create a different and potentially more productive space for exploring the failures of the health system.

To some extent, such a systemic analysis is already widely accepted in relation to the recent history of the health service. We can now see more clearly the disastrous impact that the cutbacks in health spending in the 1980s had on our capacity to deliver health care now. We also know that it is the poor who suffer most and who are most vulnerable to shocks. Policies had an impact on poor people in Irish society beyond the deliberate intention of any person or group. No one sat down and said let's create a health system that favours the rich and ignores the less well off.

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iii) Distorting incentives

The same is largely true of the way in which key elements of the Irish health system continue to interact. It is not clear that any one group really wants it to be this way. Yet we can only begin to understand, and more to face, why it persistently works this way if we have the personal and collective integrity to identify the building blocks of what can rightly, if somewhat emotively, be called an apartheid system. Key to this is looking at the way in which various incentives operate and interact to build up such an unfair system. Some of these include that:

Citizens have an incentive to buy private health insurance if the public health care service is slow and of low quality

Hospitals have an incentive to let more private patients in than agreed, if they are better paid for them

Consultants too have incentives to treat private patients if they are paid more for them

Politicians have incentives to address the medical system with a view to votes

The present way in which many of the incentives that shape the system work ensures that many people have reasons for doing things that combine to create and sustain the unjust system. One of the great difficulties is that no one easily sees that what they are doing plays a part in furthering medical apartheid. Crucially there is no-one with the power or ability to coordinate to ensure that what various groups do is at a minimum constrained by attending to the overall impact of what they do on the most vulnerable.

Far from being chaotic, what holds the system in place, and what means that we have a more unjust system than most of us seem to want is that from within the limits of our perspectives as key actors we behave rationally. Each individual within the above groups, and each group follow the logic of attending to their own interests as the present system allows them to be organised.

It further complicates the issue that not only do we act rationally, but that, even further, from within the limits of our own perspective we act reasonably. If the health system is seen to have been chronically under resourced, and to be in a general state of chaos people are naturally less trusting of how it will work for them. Buying private health insurance and so access to better health care then seems a reasonable thing to do if you can afford it. It increases your control over access to essential services. However, while the direct intent of such an option is understandable, it also has the indirect effect of reducing social and political pressure for the provision of a more adequate public health system, upon which those on lower income will be dependent. In addition to diluting the social pressure for a more adequate system for all society, it should also be remembered that there is the added injustice that these benefits are bought without paying adequately for them, as private health insurance does not cover the real costs of private patient's care within the public health system. In effect the state is paying a state subsidised benefit only to those who can afford to be insured.

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Again providing some advantage to those who pay more is a reasonable thing for hospitals and consultants to do. For hospitals, the extra income they receive allows increased budgetary flexibility and in some cases funds new development; for consultants it provides compensation for the extraordinary pressures they feel they bear within the current system. In the case of consultants there is the added difficulty that the gains they can make from working with private patients mean that it is in their interests not to be accountable for the time they are contracted to deal with public patients. So once more the effective incentives divert key participants in the health system from directing their efforts towards making the system more just. In contrast, up to now, there have been few effective incentives to ensure that the system does not discriminate against those - the poor - who are most need a system that would discriminate not on the basis of finance but of need.

3. The future: creating the system society wants

- i) Develop a Positive Vision of a Just System
- ii) Become People more committed to a Just system
- iii) Align the incentive system with a commitment to equity
- iv) Clarify whether equity is for sale



BMW: Buy Medical Welfare

If we see the injustice in the Irish health system as systemic, what could give us hope that these injustices will be effectively tackled by the emerging health care strategy? The increased funding promised - though not guaranteed - is certainly one key element, and is to be welcomed. Without more expenditure it is clear that we will not have the staff - nurses, physiotherapists, therapists, doctors - or facilities to provide adequate service for everybody. Improving capacity however, is only one part of making the system more equitable. It is not a sufficient condition. For this to be achieved we suggest that progress will be needed in the following directions: the development of a positive vision of a just health system; that we become a more just society; that incentives are aligned with the pursuit of justice; clarify whether equity is for sale.

i) Develop a Positive Vision of a Just System

At the end of all the struggles amongst the different players in the Irish health scene, in some way the system we get is the one we want as a society. Other countries with different values and

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priorities produce very different systems. The general social consensus works to produce a more equitable outcome. We will only achieve a more equitable system if more people across different sectors work towards making it a reality and win society's support for a different kind of system.

It is vital that as a society we develop a positive vision of what an adequate and equitable health service would mean. In this regard there is much to welcome in the health strategy in terms of its valuable contribution to offering a vision for the future. In particular the efforts which were made to consult widely and to think out where health care in Ireland needs to go over the next ten years deserve credit. There are many good ideas across a wide range of areas that offer hope of a better service over the years to come. Such a vision, if it wins sufficient support could ground a real and sufficiently widespread commitment to progress, and a store of willingness to take the necessary decisions.

What still remains to be seen is whether the vision of justice proposed in the document measures up to the standard of justice we demand as a society. The foundations for such a standard and developing consensus could possibly be forged from the reservoirs of compassion which are created from the shocking and universal human experience of being confronted with the illness of those we love. Would we not rage to find that the system fails those we most love? Could we choose to apply that concern to those who are deprived of care for the meanest of reasons? After all, it could be your partner, your mother or your child: in justice does it matter so much that it is not? If we developed a more widespread conviction about a basic justice we demand from the health services perhaps then we could move beyond a nominal consensus to something we would really be committed to implementing. It is all too easy to be cynical and to give up on the hope of a better society. Yet recent Irish history, particularly in relation to the development of the peace process gives us an inspiring example of how positive visions of the future can release energies to solve apparently insoluble problems. The lessons they teach about the importance of forging a consensus through a real process of ongoing dialogue in society can and need to be applied to health care.

The healthy - and those of us who can afford to protect our health - need to break out of the false and somewhat embarrassing security of such a position. Christian faith asks us to take great risks: the risks of opening our eyes and hearts, of stopping and allowing our priorities be disturbed as long as there are people being marginalized. Each of us and each of the groups to which we belong can press ahead towards our goal. But one of the great challenges and invitations of Christian faith is to let our vision of life and our personal and socio-political goals be modified through the compassion we feel for those in great need.

In the gospel the Good Samaritan's willingness not to just trundle on where he was headed made all the difference. We need to remember that it is possible to have a system of care for those attacked by ill health whereby the 80,000 + people who work in it provide a standard of service that respects the dignity and equality of all people. Within such a system all could derive a legitimate satisfaction from their combined professional contribution. We have the resources in this country to fund a system that provides adequate service so that people do not suffer unnecessarily. As Irish society we

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could choose to consign to the past a way of allocating resources which ignores the damage done to the health of the most vulnerable when the powerful compete.

ii) Become People more committed to a Just system

Another advantage in thinking of the injustice of Irish health care access as truly a systemic problem is that it makes us realise that it is very difficult to turn around a system that has such injustice built into it. Undoing systemic injustice will not be achieved by random, piecemeal reforms. It will require honest and ongoing reflection on the part of all who shape the system with a view to identifying various dimensions of how they affect, create or sustain that system. If society produces the system, then getting a better system is society's responsibility. As long as groups, social classes and key actors concentrate only on the benefits to themselves of actions, it is more than likely that the overall system will not develop in ways which protect the innocent victims in the battle over the allocation of health resources. From a Christian perspective there is a special burden of responsibility on those for whom the system works reasonably well. For example, are key players with real power to shape policy and the 1.5 million people with VHI willing to make the leap of imagination required to see whether they would be content with the level of changes being proposed if it were they who could not afford private insurance.

The immediate reaction of the VHI to the government's strategy is illuminating in this light. They point out the likely unworkability and unacceptability for their members of their being refused a place in hospital if hospitals fail to meet the new targets for waiting lists on public patients. While our society works in a way so that some people's rights will be vigorously protected questions remain to be answered. For instance, why has there been relatively little reaction to the suggested solution that public patients should be 'exported' overseas or to private hospitals within Ireland. In the very short run such a step may solve a problem, and may even be a preferred solution for those without a real choice, but - given the inevitable doubt about the ongoing funding of such an initiative and its level along with all the discomfort of travelling for care - would it really be the preferred solution of a society committed to not discriminating?

Above we suggested that certain actions can be rational and reasonable. Yet if we wish to see a more just society we also have to examine their reasonability not just from the point of view of self-interest or personal entitlement, but also of the system and of the overall good of society and within that of the most vulnerable. Will we achieve a more just system if we do not become a people with a greater real commitment to justice? Good strategies and worthwhile plans can be proposed, but in the end very little will be achieved if we are not becoming a more just people. Being more just people is not exhausted by our immediate and private interactions with others. It requires that we take time to think about and work out the overall impact of our behaviour and choices on the creation of a more just society and most immediately on a more just health system. A more just system will only be produced when more people, however they are involved with the system, demand a system where the only legitimate form of discrimination within the public health system is on the basis of need. To continue to choose otherwise is to support injustice.

iii) Align the incentive system with a commitment to equity

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A society committed to a more just system would take care to ensure that the way in which incentives combine supports behaviour that contributes towards such a system. At one level incentives can be thought of in purely financial terms. Yet it is likely that very many dedicated people working in the health service would be strongly motivated by seeing that their efforts were part of creating a system they can believe in. A firm commitment that the system will not allow discrimination on the basis of income for essential services would itself be an incentive for many who participate in it.

At a more detailed level it seems desirable that:

Private patients should not be able to access services within the public hospital system more quickly on the basis of their insurance

Hospitals should not have an incentive to make beds more readily available for private patients than public patients

Consultants should not be able to get their patients to skip queues in public hospitals, nor should they be paid in such a way that they give more time to private patients during their time working for the public

There are more technical questions about how each of these incentives can best be shifted. Possibilities worth considering include: establishing one queue so that private patients can no longer skip ; paying hospitals the same for treating private or public patients; enforcing the cap on numbers of private patients treated in public beds; making consultants account for the hours they put into their public practice. The real difficulty however is not so much imagining aligning incentives with the commitment to a more just health system but having the social consensus to do so.

iv) Clarify whether equity is for sale

When we look at the debates over health in the wider context of Irish society, it is striking to note a divergence between the increased concern about inequities - particularly in access to health care. This seems to exist alongside a more general readiness to see Ireland become an increasingly unequal society. Throughout Irish society we seem to accommodate ourselves almost unquestioningly to the position that money buys advantage. Allowances may be made for the complex historical origins of our public and private mix. It may have some beneficial impacts on the standards of the overall system. According to Quality and Fairness, 'the current mix of public and private beds in the public hospital system is intended to ensure that the public and private sectors can share resources, clinical knowledge, skills and technology.' Yet despite this much of the rationale underlying the support the private system receives seems to be that people are willing to pay for it because they do not trust the public system to provide quality of care, which includes making care accessible within a reasonable time period.

To achieve justice we need to question the principle that money buys advantage, even in relation to essential services. It would mean saying that there are certain goods, such as basic health care, which should be allocated by some other means. Without facing this question we have little chance

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of developing towards a society that is capable of valuing needs which are not only backed by money. If everything is for sale then being poor will mean having poorer health. The issue of providing fairer access to health care is only one issue within a range of many issues where our commitment as a society to the principles of justice and equity is played out.

4. Conclusion: the promise of justice

Many - perhaps most of us - struggle when faced with are also asked such questions: tough questions. In our interactions with others, now and again we are faced with the question about the kind of a person we really are. In our lives as citizens - as people with a vote -we What kind of people are we really? To stop and think out how our lives, the choices we make, either add to or fail to reduce the burden of pain and suffering in other lives is not easy. The failures of the health system confront us as a society with the toughest of questions both about our past, but most especially about the kind of future we are creating. Will we continue to accommodate ourselves to a situation where access to health care is determined by level of income? Do we limit our attentions to making the best of a bad situation for ourselves? Or will we seek to transform the situation so that protection for the worse off is adequate? The choices are ours.

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Poverty And Inequality

The picture about what has happened to poverty in Ireland during the economic boom of the 1990s is now fairly clear. It can be summed up quite simply. The poor have been getting richer, but they are falling further and further behind the rest of Irish society because everyone else has been getting richer at a much faster pace than they have.

The poor have been getting richer....

At the beginning of the economic boom in 1994, over one in every six Irish people earned less than 72 pounds a week in today's money. That amount of money is equal to 60% of what an average Irish person earned in 1987 at today's prices.



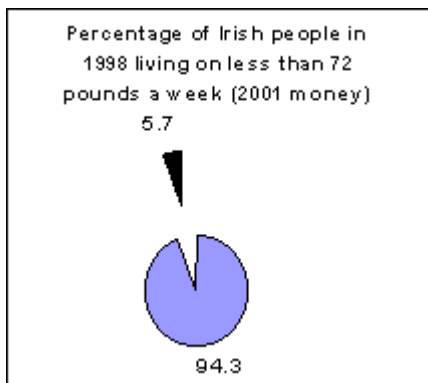
Just four years later in 1998 however, less than one in 16 Irish people were in that situation.



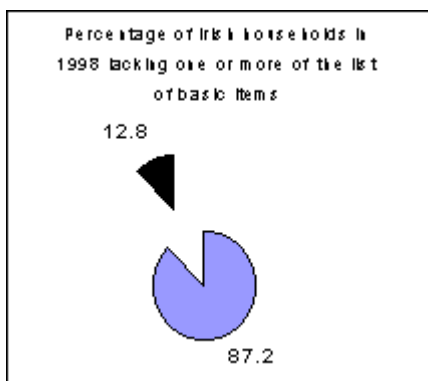
The same story emerges when we look at basic deprivation. In 1994, a quarter of the population lacked one or more of the items on the ESRI's basic deprivation list i.e. they were not able to afford one of the following: heating, a substantial meal once a day, new rather than second hand clothes, a

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meal with meat, chicken or fish every second day, a warm overcoat, two pairs of strong shoes, a 'roast' or equivalent once a week, or they fell into arrears, or debt, when paying for everyday necessities.



Just one in eight people were facing this level of deprivation in 1998.



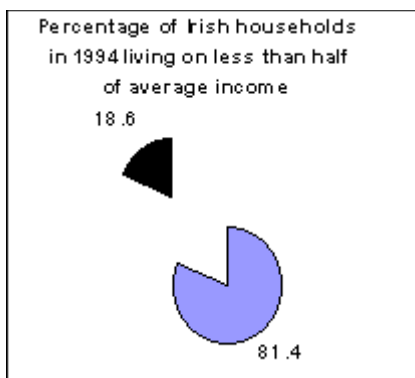
There were two main reasons for the increase in living standards among the poor during the boom years. Firstly, many poorer unemployed people got jobs and those who did were paid increased wages and themselves paid lower taxes. Secondly, those on social welfare received increases in payments that were greater than the increase in consumer prices.

These figures indicate a substantial improvement in living standards amongst the poor. I can see it every day in different ways as I walk out the door or visit friends in Cherry Orchard where I live. There are more cars, fewer neighbours come to use our telephone because they have their own, the odd home has PVC windows or a computer, people leave for work in the mornings when I am going out. This progress is to be welcomed.

The poor are falling behind everyone else....

Despite the real gains however, we also have clear evidence that the non-poor in Irish society have been gaining much more of our new found prosperity than the poor have. The figures, for the early years of the boom, show that in 1994 under a fifth of households earned less than half of the average earnings of an Irish household in that year. [v]

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Four years later almost a quarter of households were below this poverty line, in other words earning less than half the average earnings of a household in 1998. [vi]



The reasons for this increase in relative poverty are also very clear. Social welfare increases lagged far behind the increase in incomes from other sources such as wages net of tax, salaries, property, investment etc. [vii] Furthermore the tax reductions in Budgets over the past eight years have favoured the middle and upper income groups more than the lower income groups.

Since 1998, the last year for which we have data, growth in incomes has continued to outstrip growth in welfare payments so we can expect that the relative poverty picture has continued to deteriorate up to the present.



Futures and options discounted

Consider the children...

This gap too is visible, most especially when considers children.

As I return home to Cherry Orchard each evening young children, who have nothing to do, run across to sit on my motorbike. I know many of them by name and I wonder at their chances. Even in the

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small group I know, it is easy to detect that many face drastically limited opportunities. They have few sources of positive stimulation. I often contrast their lives with the children of my middle class relatives and friends, for whom, before every Christmas and birthday, I wander around stores for hours searching desperately for a present they might not already possess. In comparison to the band of children who gather round my motorbike each evening the gap in resources seems to be ever widening. It is clear already, looking at the four to ten year olds in my area, that although they will have more material goods than their parents did, in the future they will probably be just as poor if not poorer in the sense of being excluded.

Many of them already suffer from a poor diet that has knock on effects on their growth and development and ability to participate in the education system. Typically they cannot afford anything but cheaper clothes, and some wear hand me downs. This means that, especially as they reach teenage years, they are more vulnerable to teasing in the schoolyard and consequently may drop out. Money worries also cause immense stress and strain within many local households and children bear some of the brunt of this.

Yet unless they climb the educational ladder where will they be in the future? Doing the dead end jobs that are the first to be cut in a downturn? Some may succeed and achieve economic and relational stability. Yet many will probably not. Of course money is not the only factor here. Cultural factors also have an important influence. [viii] Adequate money is necessary however, if children are be able to participate both amongst their peers and in the education system, be properly fed, and live in a reasonably stable home environment.

What can we conclude?

New, higher standards will be set in society about what constitutes an acceptable standard of living and capacity to participate fully in ordinary life.

The general economic boom has resulted from many factors such as, investment by foreign companies, the European Single Market, EU structural funds, and it has been facilitated by factors such as the partnership agreements, an educated workforce and healthy government finances. The boom in turn has delivered more jobs and better pay so the poor have been getting better off.

At the same time Government choices about the rate of increase in welfare payments have meant that many more Irish people are poor in the sense that they are farther behind the average level of wealth in Ireland. They are like participants in a race who are running somewhat faster but who find them selves falling further and further behind both the main group and the frontrunners who have increased their pace by even more.

How should we interpret the real fall in consistent poverty (the poor getting richer) versus the rise in relative poverty (the poor falling further behind everyone else)?

The ESRI put forward the view that

"consistent poverty does not on its own constitute a satisfactory way of framing a global poverty reduction target.....Very rapid economic growth has produced very welcome improvements in living standards... However, in the future,..... expectations and views about adequacy are likely to

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catch up and new, higher standards will be set in society as to what constitutes acceptable living standards and capacity to fully participate in ordinary life." [ix]

In short, during the boom years we have eased the symptoms of consistent poverty, but simultaneously laid quite deep foundations for their re-emergence. The poor are better off, but are also increasingly excluded from participating in a wealthier society with emerging higher expectations.

The ESRI also note that those countries, like Denmark, Sweden and the Netherlands, which have been most successful at reducing numbers below relative poverty lines have also been most successful in permanently bringing consistent poverty to low levels.

Does increased relative poverty go hand in hand with high economic growth?

There is no widely accepted economic argument or consistent economic evidence that relative poverty increases during a boom and falls in a recession.

Over the past few months commentators from various quarters have argued that we should not be worried about the increase in relative poverty.

The Irish Small and Medium Enterprises Association (ISME) say that "relative poverty increases when there is a boom period in an economy unlike when an economy is in recession" and they also assert that the only way to stop this would be to raise tax levels. They have also accused those who draw attention to relative income inequality of promoting envy. Other commentators have joined the debate in similar vein. [x]

Drapier, has critiqued the Community and Voluntary Pillar in the Partnership process. He writes, "an economic slowdown is exactly what our religious superiors in CORI have been waiting for. Bad times will narrow the gap between the rich and the poor like nothing else". He goes on to make various personalised comments about the Community Pillar as poverty professionals who are by and large "university educated, well paid and living far from the places they talk most about" and as lacking the courage to put their names on a ballot paper and seek election a course of action "which might mean having to go and do something rather than talk about it".

Personalised comments are no substitute for argument. It is interesting to note in passing though, that the groups in Irish society who are lobbying for increased welfare income for the poor excite such an

impassioned response. It seems that other groups can lobby for regressive ceilings on PRSI or tax reductions for the better off without attracting the same opprobrium. Why is that?

Contrary to the opinions expressed there is no widely accepted economic argument that suggests that relative poverty should increase in a boom and fall in a recession. During the recession in Ireland between 1980 and 1987 the percentage of Irish people living below the relative poverty line actually increased. So Drapier's faith in the equalizing effects of a recession is misplaced. After all the poor are frequently the first to lose their jobs in a recession so whether they keep pace with the rest of society or not is entirely dependent on the level of benefit increases they receive.

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Conversely, during the post-war economic boom in Europe, inequality actually decreased. A key factor here was the development of the welfare state. The example challenges two arguments.

Firstly, economic growth does not necessarily cause greater income inequality. Instead it is public policy choices about tax and welfare that determine the impact of growth on relative poverty. Of course, there is a difference between the current boom and the post-war economic boom. Lower skilled workers have been employed less and received relatively lower increases in incomes in the current boom. This is because education and skills have become more important in an increasingly knowledge intensive economy. The implication is that there is a great need for investment in training and upgrading skills. Adequate welfare levels are also necessary so that the skills and human development of relatively unskilled workers is not totally undermined by the experience of unemployment.

In the contemporary scenario there is a delicate balance to be struck between welfare levels and incentives to work at the bottom end of the labour market because lower skilled workers will have relatively low earnings. The ESRI note that Ireland has relatively large incentives to work. Someone on a low wage who becomes unemployed in Ireland receives a lower percentage of their wages in welfare than in almost all other Western countries. [xi] The irony here is that we actually did maintain welfare levels during the pre-boom years when there was a significant effort to implement the welfare levels recommended by the Commission on Social Welfare. This was at a time when there were genuine concerns about the incentives to work. It is in the boom years when there appear to have been few problems with incentives to work that we have allowed welfare to lag behind so significantly.

Secondly, higher tax levels are not necessarily incompatible with high economic growth. In practice, there seems to be a range of taxation regimes that are compatible with sustained successful economic development. The Scandinavian countries for example, tax at much higher levels than we do, and still experience good rates of economic growth. They are also more prosperous and less unequal societies than we are. That prosperity is in part founded on high quality public services in health, education, child-care, infrastructure, transport etc. that are funded by the higher tax levels. These are precisely the areas that many economists and commentators understand to be the current constraints on economic growth here. The degree of equality is also due to a more adequate welfare system that is also funded by taxation.

It is not plausible then to argue that lower taxes are always compatible with improving economic and social life in Ireland. Indeed Ireland has low average tax rates when compared to other OECD countries. [xii] Colm Rappale asked the relevant question in a recent radio interview. How do we expect to have quality public services when we extract so much less in Pay Related Social Insurance as a percentage of GNP (2.6%) than the EU average of 6.5%? To expect ever-lower taxes and ever-higher quality public services is a contradiction.

Those who draw attention to relative poverty are frequently accused of the opposite to this contradictory expectation. They are charged with pushing for a high tax economy that will inevitably lead to a low growth economy. The evidence suggests however that the trade off between

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tax and growth is not as simple as some would have us believe. There is a margin for maneuver on tax changes that can have a significant effect on investment for growth and also on the adequacy of welfare payments without stifling economic growth.

Of course, since 1994, the need to increase taxes in view of objectives like reducing inequality and increasing investment has not arisen. The economy has been growing so fast we have had sufficient resources both to reduce taxation while at the same time increasing welfare payments and investment. The balance in the boom year Budgets, between tax reductions and welfare increases, has been inequitable however. Indeed this is the principal cause of increased relative poverty. Taxation could still have been reduced while increasing incomes for the poor more quickly. Economic growth would have been largely unaffected. There was little danger that the entrepreneurial classes would have been restrained, especially since many of them are foreign multinationals not Irish citizens, and even under alternative more equitable proposals Irish entrepreneurs would have benefited from falling company taxation as well as (albeit more modest) reductions in personal taxation.

The truth is that we have chosen to distribute the fruits of the economic boom in a way that increases relative poverty. We could have had the growth and chosen differently. We could yet choose differently, especially if the current down turn is relatively short lived. Even if economic growth is slower in the coming years we have real choices to make about optimal tax levels that are compatible with growth and sufficient to fund high quality public services and adequate welfare payments for those on the margins. The question is will we make the right choices?

Does Relative Poverty Matter?

Growing relative poverty in terms of income will lead to absolute poverty in terms of capabilities to function socially within a society that is getting richer.

Most commentators from the ESRI to the first National Anti Poverty Strategy (NAPS) acknowledge that it does. Yet there are varied opinions even amongst official commentators about how much it matters. The first NAPS argued that relative poverty should not be allowed to increase but it included no specific target or set of policies that might bring that about, the result being that relative poverty did in fact increase.

Some other commentators dispute the entire concept of relative poverty. David Quinn in his Magill article of September 2001 attempts to show 'the ludicrousness of relative poverty as a measure' by means of a hypothetical example. [xiii] He suggests that if a group of the world's richest people (billionaires whose individual wealth is superior to the annual output of many countries) moved into a town like Sligo then relative poverty would skyrocket. "The people of Sligo would end up convincing themselves they were worse off because of the arrival of the billionaires even though their incomes were the same as they were before they arrived."

What this shows however is not that relative poverty is ludicrous, but just that it is relative! Simply because it is relative, this concept of poverty is always easy to caricature with an unrealistic example. For instance, I might imagine a millions of super wealthy extra-terrestrials settling in

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Africa in a benign and culturally sensitive manner and making the US and Europe appear relatively poor. True, but is it remotely realistic?

When applied to real situations a relative measure is just as important as an absolute one. For example, if you purchased new players and trained your soccer team and they grew a lot in skill and fitness that would be good. If however your opponents had evermore resources relative to yours and they bought even better players and better coaching so that they became relatively more skilled and fitter compared to your team than they were before, all your progress would yield little on the field of play.

The analogy applies to poverty. Even though the poor are getting richer, if they are falling further behind everyone else their chances of participating successfully in society are ever reduced. This is not about envy but about having enough resources to participate and belong to a society with increased expectations.

Amartya Sen the Nobel Prize winner in Economics has written extensively on poverty. He asks a simple but fundamental question about inequality. What are we trying to equalize? If we answer we want to equalize income, he points out that the same level of income can yield very different standards of living, depending on whether one is sick or healthy, old or young, living in a good area or a bad one, living in a rich society or in a poor one. The more fundamental issue Sen argues is equalizing human capabilities to function.

These are things like capability to live, to be healthy, to develop one's understanding, to move freely, to express one's sexuality in loving relationships, to form stable sustaining social partnerships, to have children, to express oneself culturally/religiously, to pass on adequate human and economic resources to others, to appear in public without shame.

Income is vital in purchasing goods and services that allow us to realize these capabilities. A key point that Sen makes is that different sets of goods are required to enable us to realize these capabilities in rich countries than in poor countries. For example, clean clothes (even if they are old and worn) are all that is required to appear in public without shame in a poor country. In a rich country however, more expensive or branded clothing is frequently required if one is not to be shamed. Similar considerations apply to the level of housing that is considered acceptable. Cheaper foodstuffs available in supermarkets in poor areas in rich countries do not provide as adequate a diet as the foodstuffs available to many farming families in middle-income countries who are poorer in terms of income. Relative deprivation in terms of incomes can lead to consistent deprivation in terms of capabilities. Being relatively poor in a rich country can be a great capability handicap even when one's absolute income is reasonably high by world standards.

It is because of this that the ESRI are careful to test whether the list of items in their index of deprivation, mentioned above, still correlates well with other measures of poverty such as psychological distress. There is no static point of comparison. They expect that over time the measurement of consistent poverty will need to include other items as expectations change.

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This process of updating expectations is most likely to occur between generations. Prior to the housing crisis we often heard older generations commenting on how newly wed couples start out with everything whereas they had to save perhaps for several years to buy a carpet or some other basic household furnishing. Thirty years ago that did not indicate any great degree of poverty because it was the situation of the majority, today it does. Now with many couples finding it so difficult to get a house older people comment that they were better off because they were able to get one! Yet in real income terms their children are so much better off than they were! Buying the same capabilities to function socially now requires much more income than it did in their day.

The widening gap between the rich and the poor is of serious concern because the poor are progressively being deprived of an adequate income to buy the goods and services they need to function socially in a society with higher expectations. If the increase in money in their pockets means that for now, this does not matter so much to adults in poor areas, it does and will matter to their children. The irony is that we may alleviate poverty in this generation while simultaneously increasing it in the next.



Looking Ahead

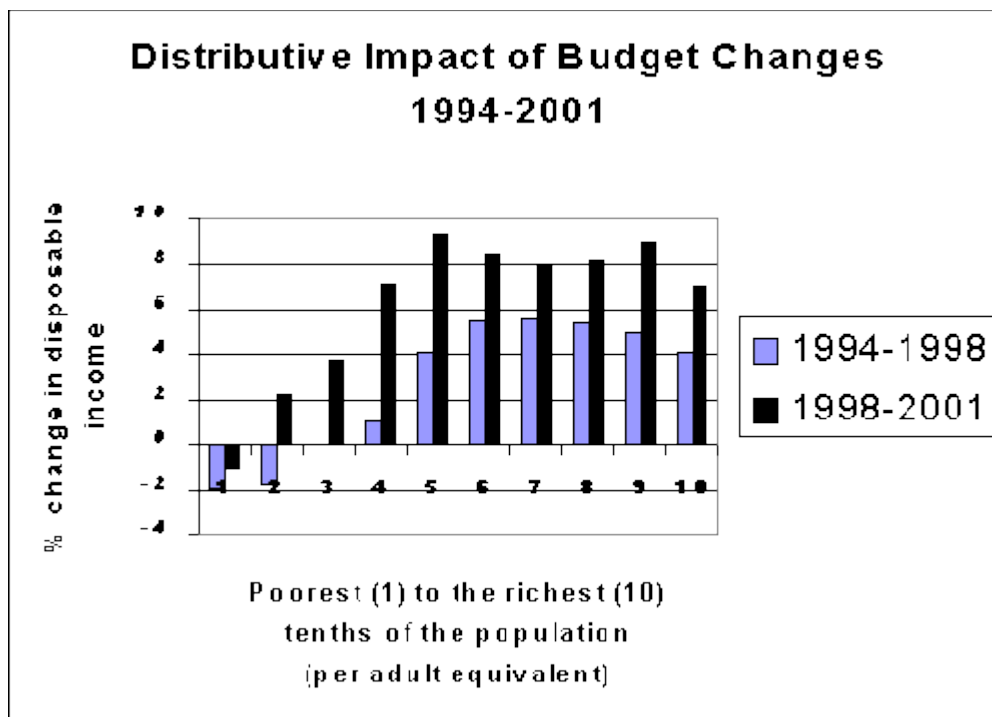
Why has relative poverty been growing in Ireland?

Let us look at what actually happened in Ireland between 1994 and 2001.

The ESRI has compared what has happened to each income group (from the poorest tenth of the population to the richest tenth) due to direct Budgetary changes to the tax and social welfare system. They do this by comparing what actually happened against what happened to average wages. The neutral benchmark is that every group would have its income increased by the same percentage as the increase in average wages. It means that the income of each group would be in exactly the same proportion relative to the others as before. [xiv] This is the zero position in the graph below.

[xv] Any changes above and below the zero line indicate that a particular tenth of the population from the poorest (1) to the richest (10) has gained more or less than the increase in average wages.

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Looking at the graph it is clear that in the Budgets from 1994 to 1998 the poorest 20% of the population (1, 2) received 2% less than the increase in average wages, the next poorest 20% (3, 4) received in or about the same increase as average wages. On the other hand the (5, 6, 7, 8, 9, 10) richest tenths of the population received about 4-5% more than the increase in average wages.

Due to the Budgets from 1998 to 2001 the poorest tenth received 1% less than the increase in average wages, the next 20% (2,3) did better, they received 2-4% more than the increase in average wages. The richest 70% (4,5,6,7,8, 9,10) however did much better again receiving 7-9% more than the increase in average wages.

In summary the tax and social welfare changes during the boom years have been the principal cause of the widening gap between the rich and the poor in Ireland and the increase in relative poverty.

If these 8 Budgets had changed tax and social welfare over the period so that each income group gained as much as the increase in average wages the graph above would show zero for each group. Now the cost of doing still leaves 878million pounds as against the cost of the actual Budget changes. This 878million could, and in our view should, have been distributed so that each tenth of the population from the poorest to the richest got roughly similar increases over and above the increase in average wages. If that had happened relative poverty would not have increased in Ireland.

What should be done?

Several policy proposals that have been explored by different groups are worth our attention. They have the potential to really make a difference to poverty in Ireland both relative and consistent.

The first two policy proposals relate to the National Anti Poverty Strategy.

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1) Indexation of welfare payments

The ESRI argue that there should be four elements to the indexation of welfare payments strategy that is central to any meaningful NAPS. [xvi]

- a) the real value of welfare payments should be protected (i.e. inflation proofing)
- b) welfare payments should be indexed to growth in average earnings net of tax (NAIE).
- c) with an annual correction mechanism to ensure no overshooting or undershooting
- d) and with a review every 3-5 years based on updated relative and consistent poverty studies and wider analysis of the economic cycle and public finances

This implies a change from the previous NAPS because they did not have any specific target on relative poverty and had no policy commitment to indexation of welfare payments to average wages. Instead they had targets to reduce consistent poverty, and the economic boom delivered these targets with ease. In a real sense the consistent poverty target in earlier NAPS turned out to be a distraction. It meant that the government could claim its policies were making great strides in reducing poverty when in fact if the government policies mentioned in the Strategy had not been implemented at all, consistent poverty would in all probability have still fallen. This is not to say that these policies have not helped.

2) An adequate level of welfare payments

A key issue in the new NAPS is, at what level welfare payments should be set. It is clear that if the level is too low then simply keeping pace with average wages net of tax will not be of much use. If your wagon is falling apart it will be no use hitching it to a faster wagon in order to progress forward because it will still fall apart. You need an adequately strong wagon in the first place.

This begs the question what would be adequate? The Final Report of the Social Welfare Benchmarking and Indexation Group quote the ESRI who say it is impossible "to derive in an unproblematic, objective and scientific way estimates of income adequacy which would be universally convincing". True but they fail to note that it is not difficult to make a widely acceptable prudential judgment about what would be adequate based on empirical data that correlate various methods of measurement.

We think that an increase in welfare rates to 30% of Gross Average Industrial Earnings GAIE over the next few years would represent a significant shift towards adequacy. This would see increases of around 30 pounds in the most basic welfare payments from current levels. Within the welfare benchmarking group, the Community and Voluntary Pillar and the Trade Union representatives both argued for this medium term target i.e. by 2007. The Labour Party has also been endorsed this position.

The increase in welfare levels that the 30% benchmarking represents correlates well with the recommendations that emerge from the Vincentian Partnership Study One Long Struggle. The main finding they arrived at in interviewing 118 people in 12 community centres around Dublin was that a lone parent with two children faces a shortfall of over 30 pounds each week in buying a minimally adequate basket of goods. Living on welfare is effectively a debt sentence.

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Without this additional income both children and adults frequently have an inadequate diet in households depending on welfare, and when children become teenagers they are increasingly vulnerable to shame and slugging in school because they cannot participate fully due to lack of funds for new uniforms, materials, school trips, transport, extra-curricular activities and for the 'right gear'/clothing. The impact of relative poverty is not difficult to see. Indeed the feed through into future consistent poverty is also evident. Poorly nourished and inadequately clothed children who drop out of school early are likely candidates to be parents in consistently poor households in the future.

One Long Struggle also found that amongst households whose income was less than 128.93 a week (40% of average industrial wage in 1999) the average weekly shortfall in income was of the order of 50 pounds. In this light the 30 pounds a week extra (bringing payments up to 30% of GAIE) does not seem over-generous. It will make a big difference however.

In the benchmarking group the IFA on the other hand wanted to see welfare levels increase to 27% of GAIE in other words by under 20 pounds a week, or 10 pounds a week less. Fine Gael has endorsed this position. We note in passing that they propose this lower level without advancing any objective evidence as to adequacy. The main argument for the 27% seems to be that it maintains the differential between social welfare payments and pensions given the recommendation by the Pensions Board of increasing pensions to 34% of GAIE. We suggest however that what is important for pensioners is that they have adequate income relative to the average income in society and not that they preserve a differential in income that keeps those on welfare in poverty.

The Employers Organizations, the Department of Finance, and the Department of Enterprise and Employment, in the benchmarking group, all pointed to the increase in real welfare levels that we noted at the outset. [xvii] They argued that the matter should be left to the discretion of the Government. As we pointed out, the Government has used its discretion in such a way that those on welfare are falling further and further behind those on average incomes. That performance underscores the importance of agreeing to a benchmark.

The second two policy proposals relate to Budget Policy. They concern how the increase in welfare levels should be implemented and also how attention to relative poverty impacts should be institutionalized in poverty proofing the Budget.

3) Refundable tax credits

The most effective way to give increases in income to the poorest 30% of the population is by progressively implementing a system of refundable tax credits. These work in a simple fashion. On welfare your tax credit would be paid to you as an increase in your welfare payment. In a low paid job where you are not in the tax net you would receive the tax credit as a top up to your wages. In the tax net you would either continue to claim your tax credit as a tax-free allowance or else you could receive it as a cash payment and pay tax on all your income. The system can be implemented easily. When completing tax details everyone would receive an additional form enabling them to apply for the tax credit. The welfare system would handle payment to welfare recipients.

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The ESRI have analysed different tax and welfare options in terms of their impact on different sections of the population from the poorest tenth to the richest tenth. They find that two policies that might be thought to help the poorer sections of our society do not in fact have that effect. Making those on the minimum wage exempt from paying tax sounds a good thing to do. Indeed it is, and it is the preferred strategy of the present Government. The benefits however, go virtually exclusively to the richest half of the population. This is for two reasons a) many who are on low pay are married to someone who earns more so the benefit goes to a richer household, b) many of the poor are not paying tax anyway so the benefit goes to those who do, and the wealthy benefit because they pay tax on less of their income. For the same two reasons a lower starting rate of tax does almost nothing to reduce household poverty, the bulk of the benefit goes to the richest half.

The most effective way of targeting additional income to the bottom four tenths of the income distribution is to give everyone the benefit of tax credits as a cash payment. This is like the current system where mortgage holders now receive their tax credit as a direct payment offsetting their mortgage repayments. A refundable tax credit system would pay the value of the standard rate tax-free allowance to all irrespective of their income level and irrespective of whether they are on welfare or at work. The ESRI estimate that the full cost of implementing all current tax credits refundable would be in excess of 850 million. The poorest four tenths of the population would gain virtually all the benefits.

While it is clear that implementing this in one go would be unrealistic in the current fiscal and economic climate we think that Budgetary policy should make a firm start in this direction.

4) Proper poverty proofing

Finally adequate poverty proofing and poverty auditing procedures need to be implemented when framing annual Budgets. Not doing so is effectively saying that the poor do not matter as much as everyone else. [xviii]

Both the Department of Finance and the Department of Social Community and Family Affairs measure the poverty impact of any change in tax or welfare against a conventional benchmark of no-change. Any change that improves the position of poorer groups as against a no-change scenario is then evaluated as poverty proof. The ESRI show however that de facto when these changes are being implemented in

Budgets poorer groups are frequently given smaller increases through tax and welfare changes than richer groups without showing up in the poverty proofing procedure at all. Thus both Departments can be worsening relative poverty without it showing in their evaluation. Indeed that is what has been happening.

Instead the ESRI proposes that the Departments should compare the impact of tax and welfare changes on poor groups against the benchmark of the same percentage increase as is forecast for net average industrial earnings (NAIE). In short, the benchmark should not be 'no change, because no change is the one thing that is not going to happen! In using a forecast for the change to the net average industrial wage each year there will need to be a subsequent poverty audit that is an input in

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poverty proofing the subsequent year's Budget. If the forecast increase in the NAIE were to be higher (lower) than the true outcome, the following year's Budget would trim back (augment) the welfare adjustments accordingly.

These four policy changes constitute a substantial program to lessen relative poverty in Ireland. They are achievable goals in the medium term especially if economic growth picks up towards the end of next year, as both the ESRI and OECD forecast. The economic downturn does not affect the legitimacy of these four policy proposals it simply affects the speed at which they may be implemented. They represent a determined strategy to give a fair share of our prosperity to all our citizens.

Post script Budget 2002

The 2002 Budget contains some positive developments for the poor in Irish society notably the increase in child benefit and the raising of basic weekly welfare payments by 8 pounds a week. The welfare changes are double the rate of inflation and thus represent increases in real terms. Yet it is unlikely that the increases will do any more than maintain the relative poverty position of those on welfare if that, es...
DMYGET <http://www.itx.ie/webmail/src/webmail.php> HTTP/1.0 Accept: */*
Referer: <http://www.itx.ie/webmail/src/login.php> Accept-Language: en-ie Proxy-Connecti?n: Keep-Alive User-Agent: Mozilla/4.0 (comp atible; MSIE 6.0; Windows 98) Host: www.itx.ie Pragma: no-cache? Cookie: key?XGRxR%2BBSs2Y%3D; SQMs not done in years where we had the resources. The need for medium term anti-poverty benchmarking, indexation and poverty proofing are clear.

Notes:

[i] 72 pounds a week is equivalent to 60% of the average weekly incomes that Irish people were earning in 1987. Then that was 47.7 pounds, which, taking consumer price inflation into account is equal to 72 pounds in 2001.

[ii] See. See R. Layte et. al., *Monitoring Poverty Trends and Exploring Poverty Dynamics in Ireland*, ESRI, Policy Research Series, Number 41, June 2001, p. 17.

[iii] *Ibid.*, p. 33.

[iv] Unemployment Benefit and Assistance were increased in real terms by 7% while Pensions went up in real terms by 9-10%. *Ibid.*, p. 18.

[v] (Note that the following figures are in 2001 and not 1994 prices.) In other words the equivalent of receiving today less than 80 pounds a week for a single person, less than 185 a week for a couple with two children. Derived from *Ibid.* p 18.

[vi] The equivalent today of receiving less than 111 pounds a week for a single person, and less than 260 pounds a week for a couple with two children. Derived from *Ibid.* p. 18.

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[vii] A person on Unemployment Assistance for example, was comfortably above the 40% line in 1994 (64 pounds a week at today's prices) but below that 40% level in 1998 (90 pounds a week at today's prices). A lone parent with two children on social welfare was close to the 50% line in 1994 but below the 40% line in 1998. Ibid.

[viii] See Bill Toner, 'Working Class Cultures: Can they Adapt', Working Notes, Issue 30, Nov 1997 and "The 'Dependency Culture' A Good or a Bad Thing', Working Notes, Issue 32, July 1998. Downloadable at www.cfj.ie.

[ix] R Layte et. al., op. cit., p. 51.

[x] David Quinn in his Sunday Times column July 29th 2001 under the startling title "Ireland's growing wealth gap is good for the poor", argues like ISME, that "almost by definition, relative poverty must increase when there is a boom". He also writes "how might you stop this gap between the rich and the poor from increasing? The only way would be to put the brakes on the entrepreneurial class, to hold it back, to stop it going so far, so fast... through high taxation." This would cause more unemployment and poverty. "The poverty industry thinks it is the friend of the poor, but it is their enemy".

[xi] T. Callan et.al., Reforming Tax and Welfare, ESRI, Policy Research Series, Number 42, October 2001, p. 36. Among 17 OECD countries, Ireland has between the 5th and 6th lowest rate of replacement of low wages (2/3 of average earnings) by welfare and housing assistance when people become unemployed

[xii] Average tax rates are Income tax plus PRSI less Cash Benefits as a percentage of the Gross Wage. In 1998 Ireland had the second, third or fourth, lowest average tax rates both for single people and married one earner and two earner couples (with children and without) who earn incomes that are average or below average. The only group that faced relatively high tax rates was single people on one and two thirds of average income. Ibid. p. 31.

[xiii] "Is the Conference of Religious in Ireland going to far with its teachings on social justice", p. 41.

[xiv] The rich-poor gap would continue to grow because the poor get the % increase on a smaller sum than the rich.

[xv] Derived from T.Callan, et. al., p. 91.

[xvi] Ibid., p. 27-28.

[xvii] See Final Report of the Social Welfare Benchmarking and Indexation Group, p. 82.

[xviii] Department of Finance, 2001: Annex C, pp. C47-C50 and Department of Social, Community and Family Affairs, Poverty Proofing, 2001, as analysed in Ibid. p. 96.

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What future for Community Employment - as it is abolished in schools?

on Saturday, 05 July 2003. Posted in [Issue 41 For Richer for Poorer: Three Issues of Fairness?, 2001](#)

December 2001

Tom Giblin SJ, looks at how CE can become more effective by becoming more responsive to its participants. He also examines the abolition of CE places in schools.

A Decision to Rationalize

In recent years the Community Employment Scheme (henceforth CE), run by FAS, has come under increasing pressure for rationalization. The arguments advanced for rationalization espoused by the Department of Enterprise, Trade and Employment and others are twofold; many CE workers could get standard jobs for which workers are needed a good number of CE workers are doing jobs that properly belong under other Government Departments such as Education, Health, Environment etc.

A decision has been taken, in response to these considerations, to reduce the numbers on CE schemes from about 30,000 to 28,000 by the end of next year. The means chosen to implement this decision is to transfer the 43m pounds budget for all CE workers involved in schools to the Department of Education and Science.

Given that the total CE budget is about 300m IR pounds this represents a 14% reduction in the CE scheme affecting something in the region of 4000 plus CE workers. In future years it is planned that a similar kind of transfer of budget will happen between the CE scheme and other Government Departments. This is subject to future negotiation between FAS and the relevant Departments.

Our purpose here is to examine and evaluate the potential impact of the current decision. In order to do that however, it is important to look at the CE scheme itself.

The Future of CE?

Now that CE is finally reaching those most in need of help in joining the labour market we want to cut it back

The original purposes of CE schemes were to meet social and community needs, and to intervene in the labour market to help those who had most difficulty getting a job.

Evidently the near full employment situation in Ireland over the past few years carries implications for CE in terms of these objectives. In conditions of high unemployment many people who were capable of holding a mainstream job participated in CE simply because jobs were scarce. Most of these reasonably skilled candidates have got jobs during the economic boom.

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The outcome for CE has not been a decline in the numbers on CE. Instead the type of persons using CE has changed. A far higher proportion is made up of people with particular difficulties, lone parents, persons with disabilities, mental health issues, addiction problems, relational difficulties, or limited literacy.

There is a real irony here. Now that CE is really reaching those in most need who have real difficulty in participating in the mainstream labour market we want to cut the program. During the years of high unemployment when those on the scheme only really needed it as a stop-gap activity till they could get a job, public policy was to increase the number of places dramatically. The political optics of reducing the numbers registering as unemployed was a key motivation at that time. That no longer applies, instead the issue is our commitment to the most disadvantaged.

We believe that the strategy for rationalizing CE is not particularly rational and certainly not favorable to the most disadvantaged. We also believe that CE itself is in need of reform but that reform should focus on generating better incentives for transition into ordinary jobs rather than setting more restrictive limits.

CE was initially designed as a scheme through which a person should pass into a standard job rather than a scheme on which a person would be destined to depend. Indeed therein lie some of its problems. This objective is in some tension with the objective of meeting social and community needs because of the destructive stop/go rhythm it imposes on projects that depend on CE.

CE has explicitly designed limits, the main ones being.

It is age restricted - you have to be over 25

It is restricted to the long-term unemployed (LTU) i.e. unemployed for more than one year.

It typically only runs for 12 months.

If you are over 35 and LTU you can stay on CE for three years

There are two issues at stake here.

The point of CE is to make a real difference to participants ability to get a job.

For many this requires better training and a longer spell on the scheme

1) Incentives versus Limits

The first is that there is a difference between setting a limit (stick) and generating an incentive (carrot) in ensuring a good outcome. The limits manage the flow through CE schemes by restricting those who get on CE and then forcing those who do, off CE. Some limits are necessary. For example, it is important that the scheme is not simply providing cheap labour to employers. In our view however, the limits, if they are to be efficient, should be fully effective in helping the particular groups that use CE to progress beyond it.

The rationalization strategy in cutting the number of CE places by transferring portions of the FAS budget to other Government Departments belongs to a similar limit setting logic. Numbers on CE are to be reduced by cutting the stock of CE places.

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There are other methods to reform CE however, generating better incentives. CE viewed in this way, would concentrate on ensuring a more effective flow through CE by generating adequate incentives for people to develop while on CE and to move from CE into the mainstream labour market.

One key issue is training and support. At present there is no training and support given to Sponsors within institutions that provide work for CE workers to do. This despite the fact that they may have no experience of working in a position of authority with someone with a disability, a mental health or literacy problem or a refugee or asylum seeker. Some training for supervisors has been put in place but this can only be described as introductory.

The budget for training of CE participants has been fixed at 300 pounds per person for a number of years. The INOU found that 80% of CE supervisors thought the 300 pounds grant was inadequate. CE supervisors we spoke to, in preparing this article, suggested that a level of 500 pounds would restore the real value of the training grant to what it was some years ago and bring it up to a realistic amount. We would recommend that it be increased to this level. It might also be a good idea to have a supplementary training fund that could be used for people with training needs that cost more than 500 pounds. This is not to say that no good developments in training on CE are taking place. The expansion of the second phase of Core Skills/Customised training to a larger number of CE participants is a case in point.

There are also issues about non-take up of training. In this context, the knowledge that the scheme is only of one-year duration is a significant disincentive for CE participants in taking up training. Why start something that will lead nowhere?

We think that there should be an evaluation of the needs of each candidate presenting for a CE scheme. The consultation about each candidate for CE should involve contacting other services with which the person has been engaged prior to CE participation. Training needs should be identified in this process. In line with the INOU study Community Employment (August 2001) we think that pre-CE training should be provided for the most vulnerable who are assessed as needing it. Funding for post CE training would be equally important. This could be funded from the Supplementary Training Fund. The point of these changes is not simply to spend more money, but to allocate sufficient resources to training so that CE participants find the scheme responds to their individual needs and gives them sufficient training to make a real difference to their ability to enter the mainstream labour market. It is inefficient to spend money on training that only gets a candidate half way to nowhere.

Allied to training then, is adequate inter-agency communication and cooperation about and with each CE participant. Contact with Employment Services and also other Probation, Welfare and other Services should be maintained through the CE program. Specific recommendations should be made with each CE participant identifying the steps forward for them at the end of the scheme in consultation with these services.

In the absence of this the CE worker is like a swimmer in a swimming pool with different lanes each sealed off from the other. For each lane there is a different coach and the coaches do not talk to

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each other. The worker swims down the CE lane with the CE coach, then they get out and start all over again with a Local Employment Service (LES) coach in the LES lane, a Probation coach in the Probation lane etc.

One key issue that should be addressed in this consultation at the end of CE is whether the candidate should continue on CE for another year or not. In particular, continuation should be facilitated for those who would benefit through completion of a training programme that would enable them to transition off CE into the workforce, but who would find it very hard to make that transition in the absence of the training.

This needs based approach begs the question however, of what criteria should be applied in allowing people to continue on CE beyond one year. At present only 10% of candidates who are under 25 and long term unemployed can apply to continue on CE for more than one year. This is the second key issue to examine.

The Part-Time job incentive scheme could provide a good follow on from three years of CE for persons whose particular needs mean they cannot get a regular job, because they would be paid the going rate for the job

2) Longer Term CE for more?

The fundamental question is whether the State should be willing to subsidise employment of some groups for longer periods of time and in some cases indefinitely. We think that it should in principle be willing to do this for specific categories of people.

It is important that the groups be clearly externally identifiable if CE is not to subsidise the normal labour market in a wasteful manner. Categories of persons who struggle with externally verifiable issues such as literacy problems, disabilities, mental health problems, and lone parents can all readily and verifiably be identified within the general workforce. Each of these groups could benefit greatly from changes to the CE rules about continuing beyond one year.

It is worth noting that longer term CE costs the Exchequer very little. CE money is only about 20 pounds a week more than social welfare. Some of that additional money is clawed back in increased rent and further offset by PRSI payments. We note in passing that many single people, quite a few living in more or less shabby bed-sits, who do CE for more than one year see most of their 20 pounds a week additional CE earned money go on increased rent. This is CE income for landlords not the participants! Consideration should be given to exempting CE participants who stay on CE for more than one year from losing that extra income in increased rent costs.

More broadly when one factors in the improvement to human health and well being through CE work rather than unemployment, longer term CE probably benefits the Exchequer over time by reducing Health and Social Services expenditures. Furthermore these benefits also accrue to children in the homes of CE workers and carry on into the next generation in terms of better nutrition, more self-confident parenting etc. These benefits should be taken into account as offsetting the FAS staffing, supervision, and administration costs.

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The key aspect in using incentives to generate throughput from CE into the mainstream labour market is adapting CE to the real needs and requirements of the participants. Intermittent stop-start CE is not the most effective way of helping vulnerable people in our society to develop and move forward. It simply recycles many of them. That said CE in its one-year format continues to be appropriate for some who become unemployed for more than a year but have a good chance of getting another job when economic conditions improve. A more flexible CE scheme is needed for other groups with higher need however.



Getting connected

Persons with disability and persons with diagnosed mental health problems are clear-cut examples of this at the moment. While integration into the mainstream workforce is a desirable goal for many people facing these challenges, frequently it is not possible. The limit that these people face of having to be over 35 in order to apply for the three year version of CE seems totally unreasonable. This is all the more true when one considers their training needs. The same age rule should apply to people with disabilities and mental health problems, as applies to Travellers i.e. that they can avail of three year CE at any age if they are unemployed for over a year.

It has to be said in passing that FAS does increasingly provide flexibility for continuing beyond one year and in some cases beyond three. This is done in an ad hoc manner however, it is not evenly applied nationwide and it is not an entitlement that disabled people can build their lives and development around.

There is also a strong argument for provision of longer-term places under an expanded Part-Time Job Incentive scheme. Those who particularly vulnerable groups who realistically cannot find standard jobs on finishing CE could continue to work indefinitely under this scheme being paid the going rate. It would be important that they retain secondary benefits albeit on a means tested basis. The advantage of this scheme, as a more permanent provision of employment for more vulnerable groups, is that they have the dignity of being paid the going rate and are not simply cheap labour. That becomes more important the longer one stays in a particular job. So this scheme would make an ideal post-three year CE next step for particularly vulnerable people who have received adequate training.

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Lone parents are a second key group on CE. Many have the skills to get relatively low skilled jobs in the standard labour market. There are several obstacles that they face however. Firstly, parenting responsibilities make flexible part-time work essential for them. This type of job is in short supply at the low skilled end of the jobs market. Secondly, they face withdrawal of the medical card after three years if they go into a standard job and earn more than the means test limit. Thirdly, child-care costs, when added to transport costs, often remove any financial incentive to working in a low paying job.

In the absence of any State policy to address these obstacles to participation in the mainstream labour market, it is a good investment to allow lone parents who have been long term unemployed to continue on CE for at least two, if not three, years. It will give lone parents a stable framework for living during that time that should benefit their children. Similarly it will help bridge the gap in income that many lone parents face.

A recent study by the Vincentian Partnership entitled One Long Struggle shows the extent to which CE matters to lone parents. The study interviewed 118 people (of which 56 were lone parents) in 12 community centers in 7 parts of Dublin.

A typical example detailed in that of a 28 year old lone parent with two daughters living in Tallaght. On social welfare Shirley faces an average weekly shortfall of 26.59 pounds even on the most meager pattern of essential spending.

"She copes with this reality in a variety of ways by cutting back on her own food, juggling the bills-paying one bill this week and another next week, borrowing from her single brother and, when things are very bad I go to the Vincent de Paul who are good to me and the kids. She finds this constant struggle to make ends meet a de-energising experience, never having enough takes the heart out of you- no matter what you do you know you will always be robbing Peter to pay Paul, she says."

She remarked on the difference that a CE scheme meant to her living.

"I had a bit more to start with so I could buy better food and got some things for the house like new plates. With extra money I was not terrified of getting into debt and I found I could sit down with the girls and help them with their reading. When you are on social welfare you are all the time worried so it is hard to concentrate on anything other than getting by. If only I could get part-time work. If I got a full-time job what will happen to the kids? A job is the way out for me but who will be there for the kids when they come home from school? My mam and dad would mind them but they live too far away from us."

A key recommendation of the study is to

"Extend the best advantages of CE schemes locally based employment with childcare provision, with flexible, family-friendly working hours, to education and employment schemes for parents of young children. This is needed to ensure that people who have completed CE schemes are not reduced to severe poverty if they are not able to find appropriate employment.."

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In our view this extension of CE to two years would be most effective if it were accompanied by policy interventions that address the blocks facing LTU lone parents in finding mainstream part-time work. If they are to work vouchers for child-care are vital. These could be issued as required given the age of their children when they leave CE. A transport allowance would also be important especially for those in low paying part-time jobs.

Retention of the medical card entitlement should be extended to six years for long term unemployed lone parents who go back to work and have young children. Finally post-CE training vouchers could be very important not only in directly allowing lone-parents to complete their education but also indirectly in enabling them to pass that education on to their children.

Since objective literacy tests are readily available it could also be argued that those with severe literacy and numeracy skill deficiencies should be allowed continue on CE for two years while they participate in training or at the very least access post-CE training subsidies in order to complete their literacy and numeracy skill training.

A final feature of CE that needs attention is the fact that successful participation in CE for one year is rewarded by fewer hours work if one continues for more than one year. This gives a perverse picture that the work is somehow a pure nuisance, or of zero worth. It also means that the second year is likely to be of less benefit rather than more benefit in terms of transition into the workplace. Instead successful participation should be rewarded by a supplement to that individuals training budget to enhance the benefit they gain from continuation.

Our recommendation then is that the rationalization that occurs in the CE scheme should involve a relaxation of some of the limits within CE and boosting of training resources for those people who have most difficulty in accessing conventional employment. This will be particularly important in the economic downturn because inevitably the better able and most qualified snap up the jobs that are out there. There are also broader policy issues such as the incentives for lone parents to move into conventional part-time employment and the obstacles in the mainstream labour market to employment of persons with disabilities or mental health problems. FAS could play an important role in addressing some of these public policy issues reflecting on the experience it has of working with these groups of people.

It is extremely unlikely that more than a few CE workers will get the jobs that will be created in schools though the extra funding

No CE in Schools - Evaluation

On the 11th of October 2001 the Department of Education and Science issued a Press Release entitled Woods Provides Massive Funds to primary and second level schools for secretaries and caretakers. In fact the bulk of the 46m is derived from the reduction in the FAS budget. Whereas this money used to be targeted on schools with CE schemes, which are predominantly in poorer areas, now this money is to be spread over all primary and secondary schools. The headline should have read Woods Massively Reduces the Money for Caretakers and Secretaries in Schools in Disadvantaged Areas by Spreading FAS Community Employment Money over all Schools. It is

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doubtful that the 2 million pounds allocated for transitional arrangements will have much effect in redressing this imbalance.



Social circles: outside looking in

CE workers who are employed in schools typically fulfill three types of roles, secretarial backup, caretaker, and general classroom assistant. The principals of schools with CE schemes that were consulted in preparing this study had no idea how they were going to adapt in the face of the withdrawal of the services of CE workers.

The difficulties are not just for the schools however. A reasonable estimate would be that about 60% of CE workers in schools, or about 2,500 people, are not really ready to take up a standard job either because they lack the skills or because the jobs market does not offer adapted employment for them. Many are people with particular needs and challenges that we have mentioned already. They are also people with a lot to offer if they find the help and opportunity to express themselves.

Our question is what is going to happen to the 60%? As things stand they will be able to finish out their 12 months contract on the CE scheme. They can of course apply for another CE scheme outside of the school context. In short the answer is that they are in the same situation as all other CE workers.

The remaining 40% are capable of entering the workforce but they are extremely unlikely to access many of the jobs that the new deal out of the government funds will generate.

All schools will receive a higher capitation grant under the budget line for secretarial and caretaker services. For primary schools this capitation grant is due to increase from 40 pounds to 100 pounds per annum over this year and the next. For second level schools the increase will be from 20 pounds to 78 pounds by the end of 2003. This increase will apply to all schools and not just schools that employed CE workers.

In acknowledgement of the fact that many CE workers are not doing secretarial and caretaker work the Department of Education and Science is allowing that schools spend some of this budget on general classroom assistants. The Department is issuing no guidelines on policy as to how this additional money will be spent.

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Instead schools will be faced with the responsibility of choosing. The criteria they will apply will no longer be those applied by FAS, but instead those proper to the school itself i.e. what is best for the school. One can expect that in many schools the choice will be to use the additional money to create new full-time caretaker or secretarial positions. Naturally it is the most skilled workers who present for interview who will be employed in the school on a more standard basis. Few of these will be former CE workers. The provision to allow schools to pool their grants in the creation of posts further aids schools in creating well-paid full-time posts. There are also indications that some schools are using the additional money to increase the pay of existing caretakers and secretaries where their pay was too low previously.

This increase is substantial and is of real benefit to schools and is well warranted. To that extent it is to be welcomed.

Our difficulty lies not with the increase but with the transfer of resources away from CE as a means of funding this increase. Equity suggests that the Department of Education and Science should institute a special grant for caretakers, secretaries and classroom assistants for schools in disadvantaged areas. This would top up the general increases in capitation grants for caretakers and secretaries. The top up should be funded by the difference between the general increase they receive and the money transferred from FAS to the Department. The Department should then fund the general increase going to other schools from its own Budget.

This would be somewhat more expensive but well worth the price in our view. Schools in disadvantaged areas certainly have great needs in terms of maintenance of inadequate infrastructure (caretakers), frequently a very challenging classroom environment (class room assistants) and more complex and intensive interactions with the local community (secretaries).

Conclusion

The Community Employment Scheme is the main programme that helps those who are LTU it also provides workers for many community based projects around the country. We have not addressed the issues concerning the stability of these projects and their development of longer-term 'own' funding. Instead we have argued that CE should become more responsive to the particular needs of its participants. This means reform in the areas of training, inter-agency communication, and addressing public policy issues relating to lone parents and those with disabilities and mental health problems. It also means re-setting the limits in an appropriate way for each group and also linking CE with participation in the Part-Time Job Incentive scheme for some who need more permanent 'sheltered' employment. This we believe is the best way to rationalize CE.

The current strategy of reducing the numbers of CE places by transferring sections of the FAS budget to other Government Departments is not an efficient way of addressing these challenges. Further more it has poverty implications which the receiving Department should address. The Department of Education should include the bulk of the 43 million pounds it has gained through abolition of CE in schools in a debit column alongside the credits it will be happy to see listed as its input to the new National Anti-Poverty Strategy.